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SUBJECT: NICARAGUA: TOURISM OFFICIAL PAINTS A ROSY PICTURE

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SUMMARY

1. (SBU) Mario Salinas, President of the Nicaraguan Tourism Institute (INTUR), predicted that the tourism industry will grow 11% in 2008, which would be higher than the 6% growth rate in 2007. To ensure this growth, INTUR, the GON's tourism promotion agency, is participating in more international tourism fairs to promote Nicaraguan tourism. Salinas reports that he has approved new hotels and beach resorts, is trying to attract more cruise ships to local ports, and is providing technical assistance to diversify Nicaragua's tourism sector. However, some industry insiders note that sales for many tourism entrepreneurs have dropped by 15-20% during the first half of 2008. They point out the growing negative perception of Nicaragua internationally is scaring off tourists and investors. The cautious optimism that industry representatives had for Nicaragua's tourism sector in 2008 has changed to serious concern about keeping their businesses alive. End Summary.

SALINAS PREDICTS HIGHER GROWTH IN 2008

2. (U) On September 18, Mario Salinas, President of INTUR, presented a mid-year assessment of Nicaragua's tourism sector to local entrepreneurs. Salinas predicted that tourism would grow 11% in 2008, a considerable jump when compared to 6% growth rate in 2007. Salinas reported that 413,111 tourists visited Nicaragua during the first half of 2008, an increase of 7% over the first half of 2007. He estimated that 900,000 tourists would visit Nicaragua in 2008, assuming the usual bump during the November and December high season, and predicted that Nicaragua would earn a total of \$290 million for the year.

3. (U) In 2007, tourism contributed \$255.1 million to national income; 510 new businesses were formed and 869 jobs were created. Salinas asserted that growth in 2008 would result in 1,271 new companies and almost 2,000 new jobs.

SALINAS SHARES PLANS TO BOOST SECTOR

4. (U) Salinas reassured his audience that the GON was working diligently to grow the tourism industry. This year, INTUR participated in tourism fairs in Costa Rica, El Salvador, Guatemala, Panama, Germany, Spain, and Venezuela, and will also attend a fair in London in November. He said INTUR has increased its promotion activities in the United States and Canada -- Nicaragua's most important tourist markets -- but is also targeting Central America and Venezuela, two markets with potential.

5. (U) With regard to new investments in tourism developments, Salinas stated that he had approved 13 hotels and beach resorts during the first half of 2008. He expects to approve 10 more

projects before the end of the year. These 10 new investments will add 622 rooms and create 360 jobs. He said he is negotiating with Carnival Cruise Lines and Royal Caribbean Cruise Lines to dock more frequently at the ports of Corinto and San Juan del Sur. Additionally, INTUR is providing technical assistance and limited financial support to help local companies diversify Nicaragua's tourism industry so that it includes ecotourism, agro-tourism, rivers, nature trails, and historical sites.

INDUSTRY SKPETICISM

¶16. (SBU) Alfredo Gutierrez, President of the Nicaraguan Association of Tourism Operators (ANTUR), questioned the validity of INTUR's data, pointing out that it is poorly prepared and does not distinguish between family visits, business travel, missionary groups, and leisure travel. While the main hotels in Managua may be full, Gutierrez says they are not full of tourists. Most travelers come to Nicaragua to conduct business, visit family, and/or participate in community service or international development projects. Gutierrez reported that the tourism operators and businesses that cater to recreational or leisure travel are not doing well: sales are down 15-20% so far in 2008 when compared to ¶2007.

¶17. (SBU) Note: Post conducted its own informal survey on the status of the industry by talking to our contacts in Nicaragua's four primary tourist destinations: Granada, Leon, San Juan Del Sur in Rivas municipality, and the Barcelo-Montelimar Hotel in San Rafael del Sur municipality. Owners and managers of restaurants and hotels consistently told us that, when compared to 2007, sales had declined by 15-20% during the first half of the year. Some are cautiously optimistic that sales would pick up before the end of the year; others are hoping that they will break even and keep their businesses alive. More than one U.S. investor has informed us that he is leaving the sector, citing poor market conditions and lack of government cooperation as causes.

¶18. (SBU) Gutierrez criticizes the GON for not allocating sufficient resources to promote Nicaragua as an international tourist destination. INTUR's current promotion budget is a paltry \$1 million, paling in comparison to Nicaragua's neighbors: Costa Rica (\$12 million), El Salvador (\$10 million), Guatemala (\$14 million), and Panama (\$40 million).

SCARE TACTICS

¶19. (SBU) Raul Calvet, president of a tourism and real estate services firm, stated the GON's image is scaring away tourists and investors. He noted that he has lost at least three multimillion dollar projects from U.S. investors this year as a result of ideologically-charged rhetoric coming from senior GON officials, especially President Ortega, against the United States, capitalism, and free trade. This is coupled with the government's deliberate policy of developing closer ties with Iran, Cuba, Venezuela, and Russia. He said that he takes several calls each week from potential tourists and investors from the U.S. and Canada to reassure them that Nicaragua is a safe place to travel, and to argue that the GON welcomes foreigners and their businesses. He added that senior government officials appear not to understand the impact that their rhetoric and misguided policies have on Nicaragua's image and development.

COMMENT

¶10. (SBU) The cautious optimism that industry representatives had voiced for Nicaragua's tourism sector earlier this year (reftel) has changed to serious concern about keeping their businesses alive. No one in the industry expects the GON will take the necessary steps to resolve the sector's problems - i.e., to maintain a welcoming international image, promote Nicaragua as a tourist destination, and improve infrastructure, i.e., roads, power, and water. Industry experts believe that Salinas, who privately owns a business that operates in the sector that he himself manages for the government, understands their concerns. They do not believe, however, that

other government officials, including President Ortega, believe the sector deserves more attention than it is already getting. End Comment.

CALLAHAN